

ARIZONA RACING COMMISSION

SPECIAL TELEPHONIC MEETING

WEDNESDAY, MAY 25, 2011

MINUTES OF SPECIAL TELEPHONIC MEETING

A public meeting of the Arizona Racing Commission was convened on Wednesday, May 25, 2011, beginning at 2:39 p.m. in the Building Conference Room, Suite 250, at 1110 West Washington Street, Phoenix, Arizona 85007.

Present –Members present telephonically:

Vice Chair	Mel McDonald
Commissioner	Thomas Kelly

Members Present:

Chair	Erin Owens
Commissioner	Burton S. Kruglick
Commissioner	Jay McClintock

Others present telephonically:

Cynthia Nemeth, Coconino County Fair
Joanna Dodder-Nellar, Reporter at The Daily Courier Newspaper

Also Present: Lonny T. Powell - ADOR Director, Mary D. Williams - Assistant Attorney General, and Kim McCollum- Commission Secretary

A. Call to Order –

Chair Owens called the Special Telephonic Meeting of the Arizona Racing Commission to order at 2:39 p.m.

The following matters were discussed, considered and decided at the meeting:

B. New Business

1. **Status of Yavapai Downs 2011 Race Meet – Chair Owens** recapped the discussion from the Special Telephonic Commission Meeting held on Monday, May 23, 2011 which included the Commission's and the industry's concerns and Yavapai's stated intention to request to delay the opening by one week. **Chair Owens** read correspondence submitted by the Yavapai Board and gave **Mr. Wazowicz, President of the Yavapai Board of Directors**, an opportunity to speak on behalf of the Board. **Mr. Wasowicz** read from a prepared statement summarized to state that Yavapai regretfully came to the decision that Yavapai Downs would not run the 2011 season as planned. **Chair Owens** thanked **Mr. Wasowicz** for coming to the Commission meeting and asked **Mr. Wasowicz** to walk the Commission thru the decision made by the Yavapai Board because a request to amend was received on Tuesday indicating they would run a season featuring fewer days while hearing just now that on Monday night a decision was made not to run. **Chair Owens** commented on the lack of clarity, the uncertainty and asked what transpired between Monday and Wednesday that made the Board come to the decision opening wasn't viable. **Mr. Wasowicz** replied that **General Manager Mr. Mullaney** was instructed to make the request and on Monday night **Mr. Wasowicz** personally came to the revelation that all options were exhausted. On Tuesday, the Board convened and decided not to run but the request was already in. Avenues explored for funding included everything from talking to the U.S. Department of Agriculture about restructuring the \$13 million dollar loan to private financing and fundraising, which was difficult because USDA owns all of the assets. **Chair Owens** commented that less than 2 weeks ago, Yavapai's representative stood before the Commission and stated Yavapai Downs was good to go, identified a few accounts payable that would make the 2012 meet more difficult to deal with and assured everyone at the meeting that this 2011 season was a go. As a result of the reassurance, industry stakeholders continued to support the meet. **Chair Owens** further commented that she was perplexed and confused that everything was drug out to the last minute and concerned that accounts payable was in the arrears for so many years. **Chair Owens** asked what the line of communication would be used to notify industry stakeholders, horsemen, and the public. **Mr. Wasowicz** replied that the intent was to notify the commission first and then take direction from the horsemen associations on how to disseminate it to the horsemen. **Mr. Wasowicz** further stated that he would be at Yavapai the following day, all afternoon to talk to people one-on-one. **Chair Owens** stated that there was mention of a contingency plan to keep the grounds open and asked if there was a specified period of time and if they had plans to help. **Mr. Wasowicz** stated that Yavapai Downs was going to do whatever it could to help and they were looking for ways to help but was in no position to offer money. **Director Powell** asked about Yavapai's plans and strategies for 2012. **Mr. Wasowicz** stated there were

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options including some sort of partnership or investment group infusing some money causing a restructuring, perhaps it switches a non-profit volunteer board to a for profit with a paid board. **Mr. Wasowicz** stated that he hoped to back very soon with a plan to present to the Commission because the entire board wanted to find a solution and any viable solution would be looked at. **Director Powell** read correspondence from the Yavapai Board emailed the Department earlier just prior to the Commission meeting which basically repeated **Mr. Wasowicz's** remarks. **Commissioner Kelly** asked if the Yavapai Board expected more revenue and how they were going to handle lack of revenue. **Mr. Wasowicz** replied that the on site event center was used to book events in the grand stand arena in the off season and there was county fair racing. **Director Powell** asked what would happen to the racing management. **Mr. Wasowicz** replied that the decision would be driven by cash flow and they would retain the management that they could afford to keep. **Commissioner McDonald** commented that unless there were some dramatic changes in the legislature through legislation the gradual demise of racing in Arizona was imminent. He further commented that Yavapai could have every sideshow in the world at the track and would not be able to reduce the debt. Yavapai unable to reduce its debt and/or increase its revenue and the cancellation of the 2011 meet was going to have such a negative impact that unless there was some legislation, tax breaks and refinancing the goal of opening in 2012 was not going to happen. **Commissioner Kruglick** stated his belief in Yavapai's future which he believed to be tied to slot machines and the possibility that a racino bill should be put together. **Commissioner Kruglick** went on to state the unfortunate decision by Yavapai to build the new track in Prescott Valley, which should have been a small track. **Commissioner Kruglick** believed the smaller track would have done the same job because simulcasting would have been the same with a bigger track or a smaller track. **Chair Owens** opened the floor to comments specific to agenda item number one from anyone present in the room or on the phone and asked for concise and constructive feedback. The following members of the audience spoke and expressed concerns in reference to Yavapai's decision to not run and how it impacted the industry:

Dennis Baker

Steve Orlando

Yvonne Kunz, ATBA Executive Director

Debbie Ferguson,

Edward Kereluk

Lisa Jenkins-Score

Gary Miller, HBPA President

Director Powell commented that the HBPA, Turf Paradise, and others have worked tirelessly to find solutions. **Commissioner Kelly** asked if it was the property tax increase and the vetoed bill that they were anticipating to pass that precipitated the closing. **Mr. Wasowicz** replied that it was partially correct but the property tax issue did not cause the demise but was the lead in a domino effect.

2. **Yavapai County Fair Association's Request to amend 2011 live racing permit for Yavapai Downs – Mr. Wasowicz, President** verbally withdrew Yavapai's request to amend its 2011 racing permit.
3. **Application of TP Racing, L.L.P. for Additional Teletrack Wagering dates pursuant to Teletrack Wagering Permit for the year 2011-2012 – Director Powell** stated that 100 OTB's would potentially go dark to horse racing as a result of Yavapai's decision in no acceptable alternative were in place which would have a dramatic negative effect on racing and would leave the industry at risk. Turf Paradise and the HBPA came up with a game plan to keep wagering, handle, the OTB and dark day simulcast available to the public. The Department reviewed and recommended approval of the emergency plan which would not preclude the future rebirth of Yavapai. **Mr. Mangum** expressed regret on behalf of Turf Paradise management regarding Yavapai's 2011 closing and explained to the Commission the request submitted by Turf Paradise and the risk associated with the request. **Mr. Mangum** urged the Commission to approve Turf Paradise's request to continue to operate the full tele-track network using their simulcast signal packages for the rest of the summer in to the next Turf Paradise's meet. **Mr. Mangum** closed in stating that unless legislation was enacted to change the law next year Turf Paradise would not be able to operate during dark day simulcasting on some days during the upcoming season and next summer year. **Chair Owens** asked the horsemen's representative to weigh-in the Turf Paradise's request due to the fact that they will be affected by the outcome of the decision. **Gary Miller, HBPA President,** stated that they were in total agreement that the off track betting network must be preserved in this emergency situation and that Turf Paradise needed to be in charge of it until such a time as Yavapai can run live and properly

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administrate the off track betting. **Mr. Miller** further stated that control of the signal should be given immediately to Turf Paradise and that they had started talking about going together with Turf Paradise on legislation. **Mr. Miller** closed in stating that they were in agreement and requested that the Commission to approve Turf Paradise to have simulcasting for the summer and committed to the Commission an agreement between the horsemen and Turf Paradise would be accomplished. **Director Powell** clarified that any new simulcast and race date the legislation would need to be led by the HBPA and Turf Paradise and not the Commission or the Department. **Mr. Miller** replied that that was correct and that they would agree on the language. **Chair Owens** asked if Turf Paradise's request was specific for 2011 as well as the upcoming Turf Paradise meet. **Mr. Miller** replied affirmatively. **Commissioner McClintock** moved to allow Turf Paradise to operate the simulcast on the dates stated in their request. **Commissioner Kruglick** seconded the motion. **All in favor**

4. **Possible Implications to the 2011 Coconino County Fair live race season should Yavapai Downs not operate its 2011 Racing Season** – **Director Powell** stated that due to Yavapai not running one of the possible victims was Coconino county fair and that they would not run in 2011 as Yavapai had managed their meet in the past. **Cynthia Nemeth, Coconino County Fair Manager**, had no comments. **Mr. Mangum** stated that Turf Paradise would be in touch with Coconino County Fair to see if Turf Paradise could assist with management of the track and the off track network and they were committed to helping out.

Announcements

The next regular Commission meeting will be held **Wednesday, June 08, 2011, at 10:00 a.m.** in the Building Conference Room, Suite 250, at 1110 West Washington Street, Phoenix, Arizona 85007.

Adjournment

Chair Owens closed the meeting by stating nothing about the meeting was easy. The industry was often referred to as being built of the people that are the salt of the Earth. Everyone conducted themselves with class and composure which showed what a mindful and prideful group of people they were. **Chair Owens** closed in stating her appreciation for the horsemen and their willingness to reach out and help one another and that the Commission was heartfelt for the conditions and offered their blessings. **Mr. Francia, Turf Paradise General Manager**, added that there would be a Turf Paradise financial officer at Prescott to offer financial aid to the horsemen. **Chair Owens** moved to adjourn the meeting.

Commissioner Kruglick seconded the motion. **All in Favor**

This public meeting adjourned at 3:51 p.m.

Dated this 6th day of June, 2011

Arizona Racing Commission

By 

Kim McCollum, Commission Secretary